

No. 11806

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SAFEWAY STORES, INC., a corporation,

Appellant,

vs.

WARREN W. DUNNELL,

Appellee.

PETITION FOR REHEARING.

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TOPICAL INDEX

PAGE

There is not a shadow of authority under the law for the Court's decision at the end of the opinion directing the District Court to render a permanent injunction against the use by Dunnell of his trade-mark. On the contrary, the law is distinctly that the Court has no such authority as we proceed to point out....	1
As to how Dunnell acquired his trade-mark.....	2
In the light of the immediately foregoing stated facts appellee Dunnell's title to the trade-mark Safeway as applied to toilet seat covers is unassailable.....	3
Appellee Dunnell's title to said trade-mark, as so applied is not in issue in the opposition proceeding, nor in this de novo suit. It is not and could not be attacked either before the Patent Office on the record therein, or before this Court.....	3
There is no evidence in the record prejudicial to the entire good faith of Dunnell in adopting and using his trade-mark. On the contrary, the evidence shows nothing but the best of faith and fairness on the part of Dunnell on adopting and using said trade-mark	8
Defendants' appellants waiver of damages, its failure to even attempt to prove any damages whatsoever, not only defeats this Court's jurisdiction on the counter-claim, but also annihilates jurisdiction on matters opposing Federal registration—and entitles Dunnell to the order of this Court authorizing the Commissioner to grant such registration.....	11
The trial before the District Court, from whose decision appeal was taken is de novo, and the findings and conclusions of the lower court, unless shown to be erroneous, should be followed—not the findings and conclusions of the Patent Office tribunals	16

If we had appealed to the Court of Customs and Patent Appeals from the decision of the Patent Office, of course, the findings and conclusions of the Patent Office would have been properly and specifically reviewed; but we did not take that course; on the contrary, we instituted an action requiring a trial de novo. Obviously, on such trial de novo the findings and conclusions of the trial court are those to which this Court should specifically give its attention.....	18
We now again emphasize that on such trial de novo it is the findings and conclusions of the trial court which are controlling, if not shown to be erroneous, certainly not any of the findings or conclusions of the Patent Office.....	18
We have repeatedly urged that damages are of the gravamen in an opposition, and of course, the same rule applies in this trial de novo. The Patent Office has consistently always required proof of some damages to sustain an opposition.....	19
Appellant Safeway Stores, Inc., has been guilty of inexcusable laches which should estop said appellant from now prosecuting the opposition to Dunnell's registration.....	23
There are a few miscellaneous points to which we desire to call the Court's attention—some of them entirely overlooked in this Court's opinion.....	25
The contention that Morton Company registered the word "Safeway" as applied to cabinets is irrelevant. Furthermore, the trade-mark is admittedly the property of Dunnell.....	29
Dunnell's covers in issue are patented. Opposer Safeway Stores, Inc., could not manufacture and sell Dunnell's said covers without infringing said patent; no more than they could use this trade-mark as such without infringing said trade-mark, under the common law in force in every state of the Union.....	32
Conclusion	33

iii.

TABLE OF AUTHORITIES CITED

CASES	PAGE
American Steel Foundries v. Robertson, 262 U. S. 209 (Sec. 89, Title 15, U.S. Code, applies to trade-mark-following R.S.U.S. 4915 as to patents).....	22-26
Arrow Distilleries, Inc. v. The Globe Brewing Co., 48 U.S.P.Q. 157, C.C.A., 4th Circuit (the word has been used so many times in so many different ways that it is no more calculated to denote defendant corporation than other corporations).....	26
Century Distilling Co. v. Continental Distilling Corp., 23 Fed. Sup. 705; 38 U.S.P.Q. 105 (Title 15, Sec. 89, applies to trade-marks as well as patents).....	17
Electro-Therapy Products Corp. v. Strong, 84 Fed. (2d) 766 (court has no jurisdiction on counterclaim).....	5
Furmine v. West Jersey and Seashore R. Co., 44 Fed. (2d) 614 (amount necessary to be proven to sustain jurisdiction of Federal Court)	7
McNutt v. General Motors, 298 U.S. 178 (jurisdiction amount must be proven to sustain jurisdiction).....	7
McNutt v. McHenry, etc., 298 U.S. 190 (amount necessary to be proven to sustain jurisdiction of Federal Court).....	7
Miller v. First Service Corp., 84 Fed. (2d) 680 (Court has no jurisdiction in absence of proof of \$3,000, etc.).....	7
New York Life Insurance Co. v. Johnson, 255 F. 958, 167 C.C.A. 250 (absence of proof of jurisdiction amount defeats jurisdiction)	7
Safeway Stores, Inc. v. Southern Independent Oil & Refining Co., 48 U.S.P.Q. 220 (Safe-way is an expression of such common-place significance that its use with other unrelated products in no way damages opposer).....	19

Tetters v. Henton, 43 Fed. (2d) 175 (amount necessary to be proven to sustain jurisdiction of counterclaim).....	7
Wilderman v. Roth, 9 Fed. (2d) 637 (jurisdictional amount of \$3,000 exclusive of interest and costs necessary to be proven affirmed C.C.A., 3rd Circuit, 17 Fed. (2d) 486).....	6

STATUTES

Sec. 41—Judicial Code, Sec. 24 as amended—(no jurisdiction of counterclaim)	2
California Business and Professions Code, Sec. 14,400 (trade-mark acquired by adoption and use).....	3
R.S.U.S. 4915, U.S. Code, Title 35, Sec. 63 (trial is de novo), Title 15, Sec. 89, U.S. Code (applied to trade-marks as well as patents)	16, 17

TEXTBOOKS

Trade-Mark Protection and Unfair Trading (Derenburg) (rights of trade-mark only conferred by common law).....	2
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vs.


WARREN W. DUNNELL,

Appellee.

PETITION FOR REHEARING.

Now comes the above-named appellee by Westall and Westall, his attorneys, and, under Rule 25 of this Court, files this, his petition for rehearing of the decision of the Court rendered January 11, 1949, on the following grounds:

There Is Not a Shadow of Authority Under the Law for the Court's Decision at the End of the Opinion Directing the District Court to Render a Permanent Injunction Against the Use by Dunnell

of His Trade-Mark . On the Contrary, the Law Is Distinctly That the Court Has No Such Authority, as We Proceed to Point Out.

The only basis for this Court's jurisdiction upon which appellant, Safeway Stores', counterclaim is based is §41

(Judicial Code, §24, amended) Original Jurisdiction, reading so far as pertinent as follows:

“The District Court shall have original jurisdiction as follows: First of all suits of a civil nature (1) * * *; at common law or in equity * * *, where the matter in controversy exceeds, exclusive of interest and costs, the sum or value of \$3,000.00 and, (a) arises under the Constitution or laws of the United States * * *.”

Preliminarily to further application of the law just quoted:

As to How Dunnell Acquired His Trade-Mark.

In Trade-Mark Protection and Unfair Trading by Derenburg (Matthew Bender and Co., Inc., 1936), page 503, Section 46, the author says:

“The question of what is requisite for the acquisition of a common law trade-mark, independent of federal or state registration, has not caused the Courts much trouble, since the application of the principle of priority of adoption and use has not been the source of any particular legal difficulty.”

Dunnell testified [Tr. 144] that he first adopted and used the trade-mark Safeway for toilet seat covers in October, 1933; and in Exhibit Q [Tr. 337], to Dunnell's deposition in evidence it is shown that beginning in 1934 he sold 510,000 seat covers under said name in California alone; also a great many more in 1934 in many other states as shown by said Exhibit Q, and that in 1935 he sold 1,630,000 in California alone; and many more in many other states in the Union, and that in 1936 he sold 5,252,000 under said trade-mark in California alone; and many more in many other states; and that in 1937 he sold 5,-

879,000 covers under said trade-mark in California alone; also many more in many other states. The other states indicated in Exhibit Q are Oregon, Washington, Idaho, Nevada, Utah, Arizona, Illinois, Hawaii, Texas, Colorado, New Mexico, Kansas and Arkansas.

In the Light of the Immediately Foregoing Stated Facts Appellee Dunnell's Title to the Trade-Mark Safeway as Applied to Toilet Seat Covers Is Unassailable.

Appellee Dunnell's Title to Said Trade-Mark, as so Applied Is Not in Issue in the Opposition Proceeding, nor in This De Novo Suit. It Is Not and Could Not Be Attacked Either Before the Patent Office on the Record Therein, or Before This Court.

WE ARE SPEAKING OF TITLE TO THE TRADE-MARK



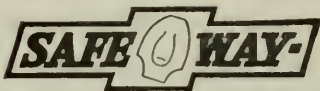
AS SUCH. IT IS A PROPERTY


RIGHT, TITLE AND RIGHT TO USE BEING RECOGNIZED BY THE COMMON LAW IN FORCE IN THE STATE OF CALIFORNIA AS WELL AS BY CALIFORNIA STATUTORY ENACTMENTS.

Thus, in Business and Professions Code of California, §14400 reads as follows:

“§14400 Ownership. Any person who has adopted and used a trade-mark either within or beyond the limits of this state, is its original owner.”

Dunnell *did* adopt and use his trade-mark Safeway, and therefore is owner and entitled to all the rights of ownership in this state.

It is, perhaps, irrelevant to state that appellee Dunnell has its trade-mark , as applied to seat covers, registered not only in California but in many states: But, *it is pertinent* to say, that the law of California as above quoted is distinctly that he has a property right in his trade-mark whether first adopted and used in any other state or in this state, *and whether registered or not.*

We remind again, that in the present trial *de novo* as well as in prior proceedings or opposition in the Patent Office NO QUESTION as to Dunnell's title, ownership and right to use his said trade-mark  was, or could have been raised: Said proceedings raised only the question of whether or not, Dunnell, concededly having title and possession of the trade-mark, WAS ENTITLED TO FEDERAL REGISTRATION.

It seems to us, therefore, very clear from the foregoing that this Court had no authority under the law to enjoin Dunnell from using his said trade-mark—depriving him of title, possession, and right to use and of such rights expressly recognized as his by the laws of the state of California.

But getting back again specifically to the Court's lack of jurisdiction; remember that appellant Safeway Stores, NEVER CLAIMED ANY TRADE-MARK as such in the name "Safeway," as applied to anything, much less to toilet seat covers.

The basis in the pleading of appellant Safeway Stores, is in Paragraph 1 of its counterclaim [Tr. 18] which reads:

“1. Counterclaimant, Safeway Stores, Incorporated, is a corporation organized and existing under and by virtue of the laws of the State of Maryland, and is a citizen of the State. The matter in controversy exceeds the sum of Three Thousand Dollars [16] (\$3,000.00) exclusive of interest and costs.”

The immediately foregoing quoted jurisdictional pleading is denied by appellee Dunnell at Tr. 26, Paragraph V of his answer to said counterclaim, as follows:

“In answer to paragraph 1 of said counterclaim, plaintiff admits that defendant, counterclaimant, is a corporation organized and existing under and by virtue of the laws of the state of Maryland, and is a citizen of said state; but denies that the matter in controversy in this suit exceeds the sum of Three Thousand Dollars (\$3,000) exclusive of interest and costs, or any other sum whatsoever.”

Now, it is quite elementary that an allegation of \$3,000.00 exclusive of interest and costs involved while it preliminarily seems to confer jurisdiction, does not SUSTAIN jurisdiction: Manifestly, if it appears on trial of the case that no amount or recovery whatsoever is or could be involved, the action must be dismissed.

In support of the foregoing statement of the law, we first cite the decision of this Court of Appeals, rendered July 20, 1936, by Circuit Judges, Wilbur, Denman, and Matthews, in the case entitled *Electro-Therapy Products Corporation v. Strong et al.*, reported 84 F. 2d 766. The opinion is short and the syllabus is practically a copy of the Court's wording. The syllabus reads as follows:

“1. Circuit Court of Appeals must determine whether District Court had jurisdiction of suit, notwithstanding that question was not raised by parties.

2. Suit by Delaware citizen against citizens of California and Nevada for specific performance of agreement to assign inventions was not suit under patent laws or any laws of the United States, but was suit of civil nature in equity between citizens of different states which was not within jurisdiction of District Court unless matter in controversy exceeded jurisdictional amount (Jud. Code §24, as amended, 28 U. S. C. A. §41).

3. Test of District Court's jurisdiction is value of right sought to be protected (Jud. Code §24, as amended, 28 U. S. C. A. §41).

4. Plaintiff had burden of proving jurisdictional facts (Jud. Code §24, as amended, 28 U. S. C. A. §41).

5. Bill of complaint should have been dismissed for want of jurisdiction, in absence of evidence supporting finding that jurisdictional amount was in controversy (Jud. Code §24, as amended, 28 U. S. C. A. §41).”

In *Wilderman v. Roth*, 9 F. 2d 637, (District Court for the Eastern District of Pennsylvania) near the top of the second column of page 637 it appears that plaintiff, after having alleged a proper jurisdictional amount in a case where jurisdiction was preliminarily dependent upon such pleading, that plaintiff could not have recovered more than \$1,600.00 with interest.

Near the bottom of the second column page 637, the Court says:

“[2] While the requisite amount set out in the *ad damnum* clause in a statement of claim, where the facts alleged are sufficient to support the claim of damages, *prima facie* gives the court jurisdiction, yet if, upon further proceedings, it appears as a legal certainty, as in this case, that the plaintiff could not have had any reasonable expectation that she could recover, exclusive of interest and costs the jurisdictional amount, it becomes the duty of the court to dismiss the suit. *New York Life Insurance Company v. Johnson*, 255 F. 958, 167 C. C. A. 250, and cases there cited.”

This decision of the District Court was affirmed by the Circuit Court of Appeals for the Third Circuit, *Buffington, Woolley & Davis*, Circuit Judges, in 17 F. 2d 486.

Other cases supporting the law under consideration are: *Tetters v. Henton*, 43 F. 2d 175; *Furmine v. West Jersey and Seashore R. Co.*, 44 F. 2d 614; *Miller v. First Service Corporation*, 84 F. 2d 680; *McNutt v. General Motors*, 298 U. S. 178; *McNutt v. McHenry, etc.*, 298 U. S. 190.

As part of the prayer of appellant Safeway Stores counterclaim, Safeway Stores prays that “counterclaim defendant, and all persons acting for plaintiff and counterclaim defendants as employees, agents, or otherwise be permanently restrained and enjoined from using the name ‘Safeway,’ or any similar name in the conduct of his said business or otherwise.”

At the end of the first paragraph of the Court’s Opinion Your Honors say: “Stores [Safeway Stores, Inc] did not seek damages for claimed infringement.” This is correct; The appellant Stores did not pray for damages, nor did appellant urge in brief or argument that it was entitled to recover damages.

Was it magnanimity that impelled appellant not to attempt to prove, and to, in effect, *waive damages*. MOST CERTAINLY NOT. BUT WITHOUT PROOF OF DAMAGES, HOW IS THE JURISDICTIONAL STATEMENT OF THE COUNTERCLAIM OF \$3,000.00 EXCLUSIVE OF INTEREST AND COSTS SUSTAINED?

Moreover, it is quite apparent upon the face of the proceedings that appellant stores could not prove any damages whatsoever.

But, before considering such inability of Stores to prove damages, there are first several matters of extreme importance to be noted.

There Is No Evidence in the Record Prejudicial to the Entire Good Faith of Dunnell in Adopting and Using His Trade-Mark. On the Contrary, the Evidence Shows Nothing But the Best of Faith and Fairness on the Part of Dunnell in Adopting and Using Said Trade-Mark.

We get a strong impression from reading the Court's Opinion that in adopting the name Safeway for his toilet seat covers Dunnell was leaning upon the good will and advertising of Safeway Stores, Inc.

Dunnell [Tr. D. Q. 13 of Dunnell's deposition] testifies that he adopted and first used his said trade-mark Safeway in October 28, 1933, and explains how he fixes the date, concluding that he is very certain of that date.

Starting in 1926 to gain control of grocery stores in this state (by acquiring stock—as a holding corporation a matter of importance to be discussed later) it might seem strange that Dunnell did not hear of any such store by the name Safeway until after his first adoption and use of

said trade-mark. At Tr. 359 (bottom of page) Dunnell testifies that he had not heard and did not know of any grocery business being conducted under the name Safeway at the time in 1933 when he first adopted and used said name. At the bottom of Tr. 373 Dunnell testifies that he first came to California in 1928. Whereupon counsel, admitting that Dunnell could not know what happened in 1926 in this locality, inquired: "but you cannot say it is not possible that you may have patronized a Safeway Store or seen Safeway advertising before you adopted the name?" To which Dunnell answered: "I would say at that period in my life I was not patronizing grocery stores at all; that I probably had my wife do all marketing.
* * *"

Consider the situation of Dunnell: He had adopted, used and was the owner of his trade-mark



in every state in which he then intended, and later did, distribute his Safeway covers. He knew he was distributing a product under his own fictitious name, Sani-Gard; that he was not advertising in mediums accessible to grocery customers, that he was not selling to grocery customers, but was distributing among a special class of purchasers for distribution *gratis* to users of a public service. Stores were not then, nor have they before or since carried nor distributed any covers under any name. These circumstances strongly appearing on the trial the District Judge at Tr. 155 ($\frac{1}{2}$ way down the page) was impelled to remark:

"I am not trying to prejudge this case, but it is difficult for me to see how a great organization like this company can be so concerned about a little piece

of paper used on a toilet seat and how it affects this enterprise. Surely if I went into a washroom in a hotel to take care of my wants in a toilet I am not concerned whether a piece of paper has the word 'Safeway' on it, nor would I identify it with any such institution as the Safeway Stores, Incorporated. It seems to me to be kind of a tempest in a teapot, and that is why I cannot understand [61] why there should be any great objection to the plaintiff using a simple term like this in connection with this piece of paper that is used in a toilet."

Still on this matter of fairness and good faith on the part of Dunnell: If the Court will look at Tr. 190, it will be noted that Dunnell's trade-mark



has between the two words the pictorial representation of a toilet seat cover, which as we have seen, has never been dealt in by Stores—*such limiting the trade-mark to toilet seat covers.*

Now, of course, this point is not material except as showing that there was no bad faith or unfairness on the part of Dunnell on adopting and using his trade-mark. He had not leaned upon the reputation of Safeway Stores in so doing; but if he had leaned on any such reputation it would not in the least have militated against his title, possession and right to use of his trade-mark



including its picture of a toilet seat cover *as a trade-mark* under the laws of the State of California.

Defendant-Appellant's Waiver of Damages, Its Failure to Even Attempt to Prove Any Damages Whatsoever, Not Only Defeats This Court's Jurisdiction on the Counterclaim, but Also Annihilates Jurisdiction on Matters Opposing Federal Registration, and Entitles Dunnell to the Order of This Court Authorizing the Commissioner to Grant Such Registration.

We have always strongly insisted that Stores could not prove any damages whatsoever, present or prospective. Events now to be considered shows the soundness of our said insistence.

In the first place, we remind that proof of damages is of the GRAVAMEN of a proceeding in opposition to federal registration. The law requires opposer to state in his opposition that he *believes* he will be damaged by the registration; but such allegation of belief no more supports the jurisdiction to deny registration than the statement of amount of \$3,000.00, exclusive of interest and costs, sustains jurisdiction in a case based upon such jurisdictional amount.

But is there any possible inference to be drawn from anything in the record of this case that, while not being able to prove the jurisdictional amount to sustain its counterclaim, there was some damage present or prospective to sustain the opposition?

Now, for a clear statement of what Stores has suggested as a basis for some such damages:

At Tr. 185 counsel for Stores states his understanding that the evidence in the case applies to both the counterclaim and to the complaint—with which we agree. It seems to follow that if Stores were unable to prove any damages on the counterclaim, this evidence or circum-

stance also applied to Dunnell's complaint (request for registration) under such agreement; and that it admits that Stores cannot prove any damages on such Dunnell's complaint.

But, specifically, how can we discover any theory whatsoever upon which to base any proof or inference of damage:

At Tr. 116 opposing counsel Johnston says: "This is, [Dunnell's use] as I say, a small use and it is hard to see how this use has damaged us in this volume of business." We agree with counsel that it is not only *hard*, but insist further that it is IMPOSSIBLE.

BUT A VERY CLEAR STATEMENT OF EVERYTHING THE STORES COULD POSSIBLY RELY UPON to prove or raise an inference of damages is found in the statement of Drummond Wilde, who at Tr. 79 testified that he is a lawyer in charge of the Legal Department of the Oakland Office or Head Office of Safeway Stores and [Tr. 79] has been with the company and its predecessors since February, 1931. At Tr. 122 Mr. Wilde says that as head of the Legal Department he has charge of the company's affairs with respect to opposition of attempted registrations of the name Safeway.

Thus, if anyone *could* know of any possible way or manner of proving damages, Mr. Wilde certainly *should* know.


At the bottom of Tr. 128 appears the following testimony by Mr. Wilde:

"Q. How will Safeway be injured by Dunnell's registration and use of the name 'Safeway'? A. By his use of the name 'Safeway' on toilet seat covers we have no control over his policies or his operations or what he may do, or how he may transact his busi-

ness; even though his business may be transacted properly from time to time, we have no control how it may be transacted over the future. That is something we have nothing to do with, the quality of the product that he manufacturers, or what satisfaction he may give his customers.”

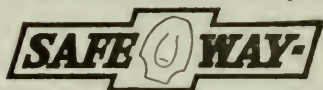
Now, still considering the just quoted “holier than thou” statement of Mr. Wilde: Suppose that an opposer in this trade-mark case should have filed an opposition admitting the facts immediately heretofore considered in the case at bar, reading, so far as of immediate pertinence [following the introductory wording of Safeway opposition, Tr. 193]:

“opposer * * * believes it would be damaged by such registration, such belief being founded on the ground while applicant for registration has always conducted his business in a proper manner [Tr. 67], never having had a complaint [top Tr. 68] and his business policies have been beyond question, always using his own fictitious name Sani-Gard Company [Tr. 176, 328, 329 and 330] in advertising and selling [Tr. 176, top of page] said product under said

trade-mark  and has never

advertised said trade-mark as such in any advertising medium [Tr. 329, bottom of page] but only explained [Tr. 330, ½ way down page] his use of said trade-mark after first being contacted by a prospective purchaser [Tr. 330] addressing his Sani-Gard Company, such explanation being by letter [Tr. 330, D. Q. 103]; and, at the time of filing of this opposition he has owned and used the trade-mark sought to be registered, selling over 73½ million [Tr. 64 and Ex. Q, Tr. 337] of said product under the trade-mark,

and has only sold them to a special class of purchasers who distributed them *gratis* as a public service [Tr. 342, D. Q. 124] while I, opposer, never manufactured or caused to be manufactured [Tr. 255, X. Q. 51] or sold and which are unsuitable for sale in my stores [Tr. 350 and 351, Dunnell Exhibits S and T], and which I have never even expressed the desire to sell [Tr. 70, top of page]; and while I [Stores] had notice of applicant's use of said trade-mark as so applied [Tr. 71] by the sale and installation of his said product in one of my subsidiary companies, namely, The Lucerne Creamery and Butter Company [Tr. 71], prior to my filing of this opposition [Tr. 72] and acquiesced in applicant's said use; and while there has been no confusion whatsoever as to source of manufacture of said product under said trade-mark



and no one has ever mistaken the source of manufacture and distribution of said product under said name as not being applicant [Tr. 33, top of page; Tr. 63 and Tr. 66] and while I, opposer, had full knowledge of Dunnell's use of said trade-mark before the filing of this opposition [Tr. 72, top of page; this was Dunnell's testimony, but Stores did not deny that Lucerne was their subsidiary]; and while applicant's title to said trade-mark under the laws of the state of California is unassailable [as heretofore fully shown] and while, under the circumstances, it would not be of any benefit to me, opposer, to have Dunnell's registration of his trade-



mark denied; but would do him much damage by depriving him the right to mark his product 'Trade-Mark Registered United States

Patent Office' and would also deny him access to the Federal Courts; and though there is no possible reason why applicant's said policy may change in the future; as he has every interest to continue it, yet, he could, possibly, if he should become insane—and I have no reason to believe he will become insane—change said policy and I, opposer, might be injured by such change, as I, opposer, have no control over the formulation of applicant's policy in the future. I, therefore, suggest that although I do not know of any damages which have or may be caused me by the registration of Dunnell's mark, that the Court imagined some such damage."

Can we imagine that either the Patent Office or *any* tribunal would sustain said opposition-pleading as sufficient? YET THE FACTS, UPON WHICH THE TRIAL COURT'S FINDINGS AND CONCLUSIONS ARE BASED, ARE SHOWN TO BE ENTIRELY CORRECT IN THE FOREGOING CITATIONS TO THE RECORD IN SUCH SUPPOSITIOUS OPPOSITION-PLEADING.

WE MOST RESPECTFULLY SUGGEST THAT, UNDER THE CIRCUMSTANCES, THE TRIAL COURT'S FINDINGS AND CONCLUSIONS ARE OVERWHELMINGLY SUSTAINED, AND THAT THIS COURT SHOULD SO HOLD.

With every right under the common law for the allowance of Federal Registration; and, while refusing to permit registration would seriously affect his right, denying, as it would, Dunnell's right to mark his product "Registered in the United States Patent Office," and would also deny him access to the Federal Courts upon which we have always greatly relied in preference to the State Courts, as more justly deciding cases of this kind, we urge that the equities are certainly in favor of the granting of an order, prayed for by Dunnell, authorizing the Commissioner to grant the registration.

The Trial Court Before the District Court, From Whose Decision Appeal Was Taken Is De Novo, and the Findings and Conclusions of the Lower Court, Unless Shown to Be Erroneous, Should Be Followed—Not the Findings and Conclusions of the Patent Office Tribunals.

The jurisdiction of the Court and its scope appears in our statement, Page 1 of the Appellee's Brief, as based upon R. S. U. S. 4915, U. S. Code, Title 35 §63 (applying to patents) and Title 15 §89, which before and after its enactment, has always been construed as making R. S. U. S. 4915 applicable to trade-mark application proceedings.

Title 35 §63 reads as follows:

“63. Bill in equity to obtain patent.—Whenever a patent on application is refused by the Board of Appeals or whenever any applicant is dissatisfied with the decision of the board of interference examiners, the applicant, unless appeal has been taken to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided, in which case no action may be brought under this section, may have remedy by bill in equity, if filed within six months after such refusal or decision; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge that such applicant is entitled, according to law, to receive a patent for his invention, as specified in his claim for any part thereof, as the facts in the case may appear. And such adjudication, if it be in favor of the right of the applicant, shall authorize the commissioner to issue such patent on the applicant's filing in the Patent Office a copy of the adjudication, and

otherwise complying with the requirements of law.
* * *

Title 15, §89 U. S. Code reads as follows:

“89. Appeal from decision of Commisisoner of Patents.—If an applicant for registration of a trade-mark, or a party to an interference as to a trade-mark, or a party who has filed opposition to the registration of a trade-mark, or a party to an application for the cancellation of the registration of a trade-mark is dissatisfied with the decision of the Commissioner of Patents, he may appeal to the United States Court of Customs and Patent Appeals on complying with the condition required in case of an appeal from the decision of the commissioner by an applicant for patent, or a party to and interference as to an invention, and the same rules of practice and procedure shall govern in every stage of such proceedings, as far as the same may be applicable. (Feb. 20, 1905, c. 592, §9, 33 Stat. 727.)

Explanatory Note.—Act Mar. 2, 1929, c. 488, §2 (b), 45 Stat. 1476, substituted ‘United States Court of Customs and Patent Appeals for Court of Appeals of the District of Columbia.’ ”

In the “Notes to Decisions” under Title 15 §89 the case of *Century Distilling Company v. Continental Distilling Corporation*, 23 Fed. Supp. 705, 38 U. S. P. Q. 105 holding, 38 U. S. P. Q. 106, top of second column: “This section, while by its express terms applicable only to patents, has been made applicable to trade-mark by the provision of §9 of the Trade-Mark Act, as amended at (15 U. S. Code §89) citing *American Steel Foundries v. Robertson*, 262 U. S. 209.

If We Had Appealed to the Court of Customs and Patent Appeals From the Decision of the Patent Office, of Course, the Findings and Conclusions of the Patent Office Would Have Been Properly and Specifically Reviewed; but We Did Not Take That Course; on the Contrary, We Instituted an Action Requiring a Trial De Novo. Obviously, on Such Trial De Novo the Findings and Conclusions of the Trial Court Are Those to Which This Court Should Specifically Give Its Attention.

The trial commenced before the District Court March 12, 1947 [Tr. 59] and continued all day through March 12 and 13, 1947. There were voluminous depositions offered in evidence, and the trial concluded [Tr. 187] and was submitted on briefs on that day.

Thereafter, extensive briefs were filed before the trial court, and findings and conclusions thereafter carefully prepared, settled, signed and filed.

We Now Again Emphasize That on Such Trial De Novo It Is the Findings and Conclusions of the Trial Court Which Are Controlling, if Not Shown to Be Erroneous, Certainly Not Any of the Findings or Conclusions of the Patent Office.

All the specifications of alleged error in Appellee's Brief are to alleged errors of the District Court.

In various places throughout this Court's opinion, sought to be reviewed by this petition, your Honors obviously relied upon findings and conclusions of the Patent Office tribunals, such, for instance, as at the bottom of page 3 of said opinion and on pages 4-5-6. Near the bottom of page 7 of said opinion the Court again relied upon findings and conclusions of the Patent Office, and in

the second paragraph, page 8 of the opinion the Court relies upon asserted inferences of the Patent Office Examiner.

Again, at the middle of page 9 of its opinion, this Court says in italics, "the decision of the Commissioner of Patents is not overcome by evidence before the District Court." Here the Court again relies upon the findings of the Patent Office. The District Court's findings and conclusions are based not only upon evidence before the Patent Office but on new and additional evidence. Both parties on this trial *de novo* had the opportunity to present other and additional evidence in support of the depositions filed in the Patent Office. Appellant did not present any pertinent evidence offering any further support to such Patent Office decisions, while appellee Dunnell supplemented, repeated and offered evidence, which we earnestly believe should have decided the case in Dunnell's favor.

We Have Repeatedly Urged That Damages Are of the GRAVAMEN in an Opposition, and, of Course, the Same Rule Applies in This Trial de Novo. The Patent Office Has Consistently ALWAYS Required Proof of Some Damages to Sustain an Opposition.

One of the strongest and clearest cases applying to this rule is the case of *Safeway Stores, Inc. v. Southern Independent Oil & Refining Co., Inc.*, decided by the Commissioner of Patents January 8, 1941, reported 48 U. S. P. Q. 220, near the bottom of the second column, page 220 (except for the four words in brackets), the Commissioner says:

“Safe Way, however, is an expression of such commonplace significance in the language that its use in association with the other unrelated products would not, in my opinion, be likely to suggest opposer to the mind of the public. Opposer does not deal in [paper toilet seat covers] nor would purchasers expect to find merchandise of that character in a chain grocery store. It thus appears improbable that applicant’s use with these particular goods of the mark it seeks to register would confuse the public to opposer’s injury.”

Now, we have the record in the *Southern Independent Oil* case before us while writing this petition, and the evidence in the case at bar is much stronger than the evidential showing in the oil case; that is to say, each of the allegations of the immediately foregoing quotation and its application to the case at bar, is, by evidence and admissions in this case, shown to be unquestionably correct.

Of course, it could have been that Safeway Stores, Inc., sold lubricating oil; but apparently in the *Southern Independent Oil etc.* case under consideration it did not appear that it had theretofore sold said product; while the case at bar is much stronger in that, as repeatedly heretofore stated, neither any of the 2300 stores in which appellant owned stock nor appellant ever sold or offered for sale or could sell or offer for sale any such products as toilet seat covers BECAUSE NONE OF THEM EVER HAD IT TO SELL.

That Transcript 122-3, Drummond Wilde, who as we have seen, is the head of the Legal Department for Safeway Stores, Inc., and also is in charge of trade-mark oppositions involving the use of the name “Safeway” testifies, mentioning a number of cases, in some of which he

was successful and in others in which he was not successful.

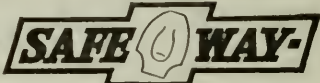
The first [bottom Tr. 122] of these involved "Safeway 1450" applied to sanitary napkins which Safe Way Stores, Inc., *did* sell. Safeway Stores opposed the opposition successfully, but this, of course, was because they distinctly had been selling sanitary napkins and, of course, lost sales and were therefore in a position to prove damages.

The witness then referred to the proceeding to the registration of "Safeway" for the use of gasoline, motor oil and greases stating that such opposition proceeding was *not* successful and the registration of the trade-mark was allowed. We have heretofore considered this last case fully.

Still another case mentioned about two-thirds down the page Transcript 123 was a case involving the use of Safeway for cleaning fluid, again Safeway Stores, Inc., lost that opposition proceeding, of course, by not being able to prove damages. In each of the successful cases of Safeway Stores, Inc., it was in a position to prove damages by the lost sales. In the case at bar, as we have repeatedly pointed out they have admitted that they could not—did not have any way to prove ANY DAMAGES WHATSOEVER.

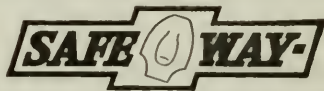
Let us suppose for the sake of argument that a prospective purchaser or purchasers, remembering the trade-mark "Safe Way," should forget or overlook the source of manufacture of appellee's product as the Sani-Gard * * * Company. Assuming that such purchaser or purchasers applied to one of the Safeway Stores, Inc., for "Safeway Way" covers (mistakenly supposing they were put out by appellant or one of its subsidiary companies). Let us assume (contrary to the established facts

in this record) also, for the sake of argument, that such confusion was a *frequent occurrence* during the eleven years during which Dunnell manufactured and sold said

product under said trade name 

Of course as neither appellant nor any of its subsidiaries ever stocked or even contemplated paper seat covers for sale, nor manufactured or caused to be manufactured such product, nor advertised or offered for sale any toilet seat covers, all the Safeway Stores, Incorporated, could have done under the circumstances would have been to tell the prospective purchaser that he was mistaken and that toilet seat covers were not among the items they had ever had or ever expected to have for sale. COULD THAT HAVE DAMAGED APPELLANT IN ANY WAY?

In the first paragraph of his dissenting opinion, His Honor, Judge Healey, reminds that Dunnell's mark does not consist merely of the words "Safe Way" but comprises a composite mark with the words "Safe" and "Way" separated by a pictorial representation of the seat cover the word "Way" being followed by a dash; and we also remind that the mark comprises the black outline surrounding the element just mentioned, thus:



Judge Healey also remarks that at the bottom of page 13 of the dissenting opinion, citing *Steel Foundries v. Robertson*, 269, U. S. 372, 380, that "there is no property right in the trade-mark apart from the business or trade in connection with which it is employed." Again, near the bottom of page 17 of said dissenting opinion, Judge Healey reminds:

“The words ‘Safe Way’ with the representation of a toilet seat cover interposed between them constitute a distinctive mark giving to the eye an impression substantially unlike that given by the single word ‘Safeway.’ It comprises a symbol appropriately descriptive of a sanitary method; and I am able to discover in this record no sufficient reason for debarring appellee from the use of the symbol, or from having it registered if he thinks registration helpful. He appears to have traded on nobody’s reputation but his own; and there is not the slightest showing that his use of the symbol in his peculiar and praiseworthy enterprise had posed or is like to pose any threat to the good name or business of Safeway Stores.”

We earnestly urge that Judge Healey correctly appraises the situation: There is no damage to sustain the opposition; there is no confusion or misleading of prospective purchasers; there is no competition between the parties to this suit relative to anything that Dunnell has done in the premises.

Appellant Safeway Stores, Inc., Has Been Guilty of Inexcusable Laches Which Should Estop Said Appellant From Now Prosecuting the Opposition to Dunnell’s Registration.

We did not, in our brief before the Court, sufficiently call attention to this defense of laches and estoppel. We omitted to explain reliance upon use by the Lucerne Creamery and Butter Company, subsidiary of appellant Safeway Stores, Inc.

At two-thirds down the page Transcript 70, Dunnell testifies that defendants Safeway Stores, Inc., had notice prior to the opposition proceeding of his extensive use of his trade-mark, by reason of the fact that in one instance,

he, Dunnell, installed some of his Safeway covers in one of their subsidiaries [near the bottom of Tr. 71]; that such installation was in the Lucerne Creamery and Butter Company and that he, personally, actually installed in said subsidiary company toilet rooms; and that they were installed in his cabinets marked Safeway and his Safeway covers were furnished and used in said cabinets and installed therein. This installation, he testifies at Transcript 75 was in said Lucerne * * * Company, on the corner of Alameda and Vernon in Los Angeles and consisted of 6 to 8 [bottom of Tr. 75] Safeway dispensing cabinets.

At Transcript 76 he says he was directed by the superintendent or whoever it was in charge of the building who pointed out to him the restrooms in which the installations were to be made.

NOW, IT IS IMPORTANT TO NOTE THAT NOWHERE IN THE RECORD HAS SAFEWAY STORES, INC., OR ANYONE ELSE DENIED THAT SAID LUCERNE COMPANY WAS ONE OF THEIR SUBSIDIARIES AS TESTIFIED BY DUNNELL; ON THE CONTRARY, DRUMMOND WILDE SUBSTANTIATED THAT IT HAD SUCH A SUBSIDIARY SAYING THAT AMONG THEIR MANY MANUFACTURING ACTIVITIES WAS THE PROCESSING OF BUTTER, BOTTLING OF FLUID MILK, CREAM, CHEESE AND OTHER DAIRY PRODUCTS. (These manufacturing activities make "Stores" a misnomer.)

About two-thirds down Transcript 75 Dunnell says such installation was in the month of March, 1942. Safeway Stores, Inc., notice of opposition was filed [Tr. 197] April 6, 1944, over two years after said Lucerne installation. Dunnell testifies [Tr. 70] one-half way down page; and this is not denied at any place in the record, that he

never had any complaint from Safeway Stores because of his use of his said trade-mark.

Thus, we see that appellant defendant Safeway Stores had full knowledge of Dunnell's use of his said trade-mark long before the filing of the opposition and never objected to or complained of said use.

This should, we submit, establish unassailably our defense of laches and estoppel.

There Are a Few Miscellaneous Points to Which We Desire to Call the Court's Attention — Some of Them Entirely Overlooked in This Court's Opinion.

One of these relates to a matter fully developed on page 23 of appellee Dunnell's brief, relating to the commonplace significance of the word "Safeway" as a trade-mark. We there said:

We have heretofore, under the present heading quoted from *Safeway Stores, Incorporated, v. Southern Independent Oil & Refining Company, supra*, "* * * 'Safeway' however, is an expression of such commonplace significance in the language that its use in association with other and unrelated products would not, in my opinion, be likely to suggest opposer to the mind of the public." We have stated that there was strong additional evidential support in the record of the present case for such statement. We now refer to such evidence:

At Dunnell record [Tr. 357], there are offered and received in evidence as Dunnell Exhibits W-1 through W-16 (brought up as physical exhibits), 16 prior registrations of the name "Safeway" as applied to various products, such as ladders, scaffolds, oil, gasoline, steel wool, heating and ventilating apparatus, razor blades,

photographic envelopes, wall coverings, rubber articles to prevent disease, suppositories, garment bags, tire patches, cellulose sheets, and containers for baby chicks, all of which show the commonplace significance of the word "Safeway."

Most important, also, as shown by this exhibit, is the circumstance that Dunnell Exhibit W-8, as applied to photographic envelopes (paper products), was to "Safe Way Sales Corporation"; and that Dunnell Exhibit W-11, as applied to suppositories registered September 5, 1933, is stated as distributed by "Safeway Laboratories, Oakland, California" (the city of the principal place of opposer); and that Dunnell Exhibit W-13, as applied to tire patches, was registered by the "Safeway Tire Patch Manufacturing Company" of South Gate, California; and that Dunnell Exhibit W-15, "Safeway Cord" as applied to cellulose sheets, was granted to "Safeway Products Corporation" of New York, N. Y.

In *Arrow Distilleries, Inc., v. The Globe Brewing Co.*, 48 U. S. P. Q. 157, a decision by the Circuit Court of Appeals for the Fourth Circuit, at the middle of the first column, page 160, commenting upon the case of *American Foundries v. Robertson*, 268, U. S. 372, the Court says:

"The Supreme Court held that registration should have been granted because the word had been used so many times in so many different ways that it was no more calculated to denote the defendant corporation than any of the other corporations which had embodied it in their names."

In the opinion (p. 384), examples of other words of similar character, such as Anchor, Champion, Pride, Star, etc., were given.

By way of a numerical summary, we remind that there are twenty-three distinct corporations mentioned in paragraph 1 of the opposition [Tr. 193], which corporations are now dissolved, which operated for many years—sixteen years from the first—under the name of “Safeway Stores, Inc.,” and we have listed immediately above four completely distinct business organizations having as part of their name the word “Safeway,” and we have also listed sixteen “Safe Way” registered marks, all antedating in registration dates by many years opposer’s acquirement of title in December, 1942, of the separate Safeway Stores, incorporations in the various states. Thus, there are twenty-eight business organizations listed as having used the word “Safeway” as part of their business names, and there are sixteen registered marks, aggregating forty-four distinct prior uses of the word “Safeway” in the United States before opposer acquired title. Also, remember that there were TWENTY-FIVE HUNDRED STORES (not manufacturing establishments) (paragraph 1 of the Notice of Opposition) which separately used the name “Safeway” prior to the acquirement by opposer of the title in 1942. Accordingly, we submit under this head that within the meaning of the language of the Court in *Arrow etc. v. Globe, etc.*, quoted *supra*, the word “Safeway” has been used so many times and in so many different ways that it is no more calculated to denote the opposer (appellant), Maryland corporation, than any other corporation or business organization, or proprietor of any of the sixteen registered trade-marks, Dunnell Exhibits W-1 through W-16.

Another, and this is totally irrelevant, relates to what are called "travel-aid units, or covers." At the bottom of Transcript 143 Mr. Johnston remarks that the "travel-aid unit is in packages for re-sale by stores perfect and popular items if displayed for sale to the traveling public."

BUT IT IS NOT OF RECORD THAT OPPOSER, NOR ANY OF ITS STORES EVER SOLD A SINGLE ONE OF SUCH COVERS, WHICH SPEAKS LOUDER THAN WORDS THAT THEY WERE UNSUITABLE FOR RE-SALE BY RETAIL STORES.

Furthermore, said opposing counsel admits [Tr. 144, top] that publications describing said travel-aid units were issued during the period of 1939 to 1945—very much too late—after Dunnell had distributed hundreds of thousands of covers without protest from anyone.

Still further on this point at Transcript 173 Dunnell testifies that about ten years ago (10 years before this trial which began March 12, 1947) [Tr. 58] he made a very small quantity of covers for re-sale in stores, and that he has attempted ever since that time to dispose of said covers, but has been entirely unsuccessful, and still has a few of said covers on hand. How many did he have on hand? At Transcript 174, he says he only made 20 or 30 of them.

Manifestly, his efforts to dispose of them over such a period shows that they are not saleable items in retail stores.

The Contention That Morton Company Registered the Word "Safeway" as Applied to Cabinets Is Irrelevant. Furthermore, the Trade-Mark Is Admittedly the Property of Dunnell.

It is true that the Morton Manufacturing Company of Chicago [Tr. 165] had an arrangement with Dunnell whereby he sold paper toilet seat covers [not marked Safeway] as well as the dispensing cabinets. This agreement was that the Morton Manufacturing Company would sell to no one else.

Near the bottom of Transcript 165, Dunnell testifies that although such contract which is in evidence says something to the effect, that arrangement was never carried out. At the bottom of Transcript 165 Dunnell explains:

"In other words, the manner in which they proposed that I carry on that business was not satisfactory in this particular territory. So we never carried it out in that way, and we did carry on business on the basis that I as an [115] independent contractor buying merchandise from them, paying for it and reselling it at prices which I established."

At the top of Transcript 166 Dunnell denies that said Morton Company had at any time suggested to him the adoption and use of the trade-mark "Safeway" as applied to said covers. Explaining [near top of Tr. 163] how he happened to adopt the trade-mark "Safeway" Dunnell testifies:

"Along in the latter part of 1933 the Morton Company had a toilet seat cover which they were proposing to put on the market under the trade name of 'Kleen-Seat.' They sent me samples of that particular product, both as to respective paper covers and

dispensing cabinets, and from my experience in the seat cover business up to that time and my experience with the 'Sani-Gard' cover which I had started to first sell, I could readily see that this cover which they were going to attempt to market under this trade name 'Kleen-Seat' was not satisfactory, both with respect to the paper toilet seat cover or with respect to the dispensing cabinet; and also with respect to the trade name that they had decided to use. So I wrote to them to that effect saying that I did not feel that the cover that they had designed was satisfactory. I don't feel that the dispensing cabinet that they had [116] submitted as a sample was satisfactory and I was not at all satisfied with the trade name 'Kleen-Seat'"

After interruption the witness continues his answer [Tr. 168] as follows:

"So, as a result of my objections I sent proposals in my correspondence that I much preferred to use another trade name. I preferred to redesign the type of cover and dispensing cabinet and as a result of that I sent them orders for a new type of dispensing cabinet which I called—asked them to label with the trade name 'Safe Way.' I also suggested a change in the manner of making the toilet seat covers which they had submitted as samples as not being satisfied, and asked them to be labeled 'Safe Way.'"

The witness then refers to correspondence with said Morton Company, and said correspondence comprising three letters are in evidence [Tr. 171—as Plaintiff's Exhibit 6]. At Transcript 172 [beginning top of page] Dunnell makes several proposed minor corrections in his prior testimony, saying:

“In connection with my deposition taken February 28, for Civil Action 26,230-G, I should like to make one correction, and also clarify my testimony in respect to my past relationship in the seat cover business with the Morton Manufacturing Company. The correction is at lines 6 and 7 on page 65. Instead of this answer reading as it does, it should have read:

“‘No, my agreements that I had had with Morton were not a royalty basis.’

“He says that should have been, ‘No, my agreements I had with Morton were not royalty, but on a territorial arrangement.’

“Then he goes on and says, ‘In order to clarify my testimony particularly in regard to the questioning beginning on the last line of page 72, I should say because of your repeated [122] references to the word “royalty,” beginning at page 6 of my deposition to page 72 and your usual correcting of it to substitute “sum of money” instead of “royalty” indicated very clearly that you have the impression that . . . ,”

At Transcript 173 [middle of page] Dunnell testifies that said Morton Company never at any time protested to him in any way of his use of the trade-mark “Safeway” either for cabinets or seat covers.

While it is true that Morton Company *did* register the name “Safeway” for cabinets, Dunnell testified that [Tr. 176] that it was not until 1942 that he first heard of the registration by the Morton Manufacturing Company of the name “Safeway” as applied to cabinets.

Thus, it is clear that the registration by Morton Company of said name is entirely irrelevant.

It is also clear from Dunnell's testimony and from Plaintiff's Exhibit 6 (letters) that far from protesting, Morton Company freely acknowledged that the trade-mark "Safeway" was Dunnell's property.

Dunnell's Covers in Issue Are Patented. Opposer Safeway Stores, Inc., Could Not Manufacture and Sell Dunnell's Said Covers Without Infringing Said Patent; No More Than They Could Use His Trade-Mark as Such Without Infringing Said Trade-Mark, Under the Common Law in Force in Every State of the Union.

At Transcript 316 Dunnell testifies that he is still the owner of the Letters Patent of the United States marked as Dunnell's Exhibit K.

At Transcript 325, Dunnell testifies that his covers in issue in this proceeding have been marked patent No. 2,025,941, constructive notice to everyone, and upon which suit for infringement could be based if it happened that there was no actual notice of said grant or issuance.

Manifestly, Safeway Stores could not manufacture and sell said covers without infringing said patent; and, incidentally, as above mentioned, they could not use the trade-mark "Safeway" as such without infringing Dunnell's trade-mark.

Conclusion.

(1) Nothing can be clearer that under the law this Court cannot grant an injunction against Dunnell restraining him from the use of his trade-mark; as to do so would be a violation under the laws of the state of California; and equally important is the fact that this Court found that opposer-appellant had not proven, nor attempted to prove, the necessary jurisdictional amount of \$3,000.00 exclusive of interest and costs.

(2) Failure to prove or attempt to prove any damages whatsoever, annihilates Safeway Stores', Inc., opposition to the registration by Dunnell of his trade-mark, as such, applying to toilet seat covers, as proof of damages are under all authority, necessary to sustain such opposition.

(3) Appellant Safeway Stores, Inc., has been guilty of inexcusable laches which should estop said appellant from maintaining this opposition, by reason of the fact that it had, long prior to the filing of the opposition in the Patent Office, known of said use by one of their subsidiaries, the Lucerne Creamery and Butter Company and, far from objecting, *admitted Dunnell's right* by ordering and having installed in said subsidiary the Dunnell Safeway covers, now objected to.

(4) Safeway Stores, Inc., cannot use appellee Dunnell's trade-mark as such without infringing said mark, and this in all states of the Union; nor can said appellant manufacture and sell said seat covers without infringing Dunnell's patent. True, appellant Safeway may enter the

business of making and selling toilet seat covers, in their grocery stores (which they have never done) and when so sold they are *grocery* items, but when done as part of their manufacturing activities this makes the part of their name "Stores" a misnomer. When appellant Safeway Stores sells to a special class of purchasers for distribution *gratis* to the public, they are not selling to their grocery customers, but are copying Dunnell's method of distribution.

As judges and attorneys, we are all endeavoring to do justice—to maintain respect and confidence in our federal courts. We urge that justice demands that the counterclaim be dismissed and that Dunnell's prayer for registration be granted.

Respectfully submitted,

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By

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Certificate of Counsel.

I, Joseph F. Westall, the attorney who tried the case in which the foregoing Petition for Rehearing is filed, and who prepared all briefs and made all arguments in the District Court and in this Court, do hereby certify that in my judgment the foregoing Petition for Rehearing is well founded and that it is not interposed for delay.

Joseph F. Westall.